Urban Education Network of Iowa

Serving Public Education in Iowa's Eight Urban Centers

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2015 UEN Testimony re District and State Cost per Pupil Inequity

Legislative Interim Inequities Study Committee Dec. 2, 2015

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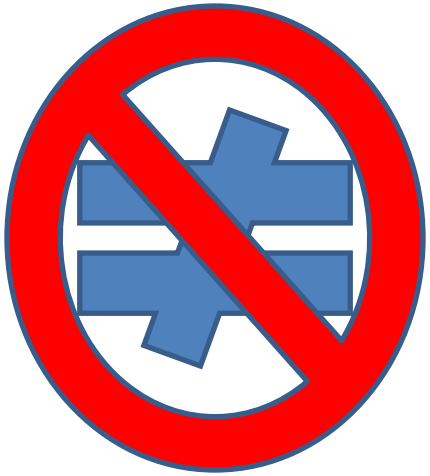
Interim Committee Charge

"Review current provisions of the school finance formula and consider alternatives for achieving a more equitable application across all public school districts in the state. Aspects of the study shall include **transportation funding** with a particular emphasis on small and rural school district transportation funding levels, school district **property taxation levels**, **at-risk student funding challenges**, and **other school finance formula provisions which may result in funding disparities** between school districts. Based on stakeholder input from the Department of Education, school districts, education-related organizations and associations, and other interested stakeholders, the committee shall submit recommendations, if deemed appropriate, to the General Assembly by January 1, 2016.



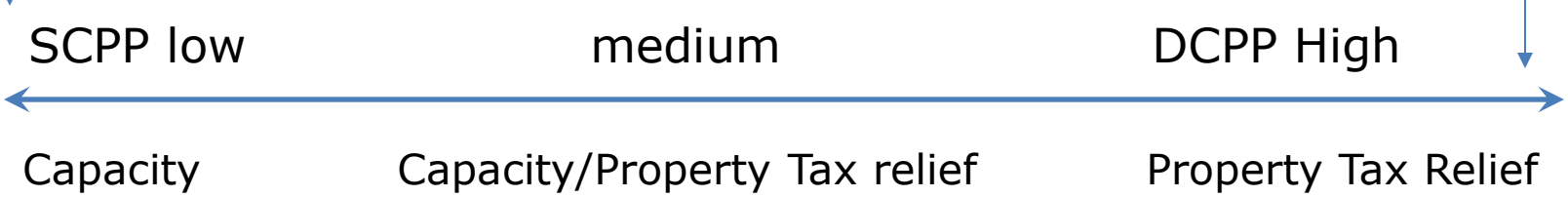
Formula Equity

UEN supports promoting both student and taxpayer equity in the school foundation formula, including equalizing the district cost per pupil and providing tax equity to property poor districts within the formula and other property-tax supported levies.

Student Cost per Pupil Inequality

- In FY 2016, the State Cost per Pupil (SCPP) is $6,446. 164 districts (48.8%) are limited to this amount as their District Cost per Pupil (DCPP).
- The other 172 districts (51.2%) have a DCPP ranging from $6,446 to $6,621, or $1 to $175 more. This extra amount is funded with property taxes.
- Under current law, this $175 difference continues into the future, accessible to some district but not others.

FY 2015 Count of Districts	Amount DCPP is Greater than SCPP
164	$0
64	$1 to $35
48	$36 to $70
26	$71 to $105
19	$106 to $140
15	$141 to $175
Total = 336	



History Lesson on Formula Equity

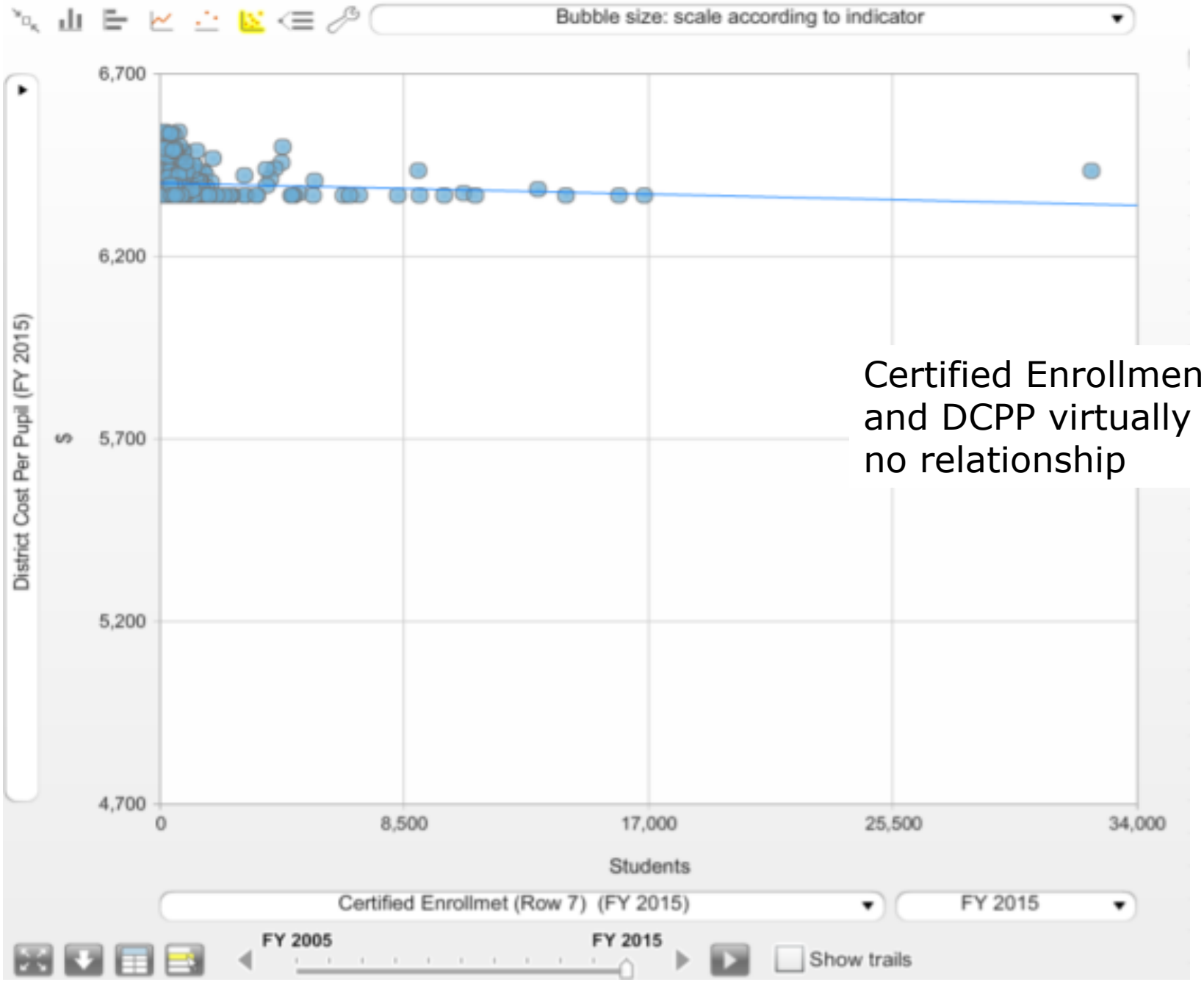
- 1971 HF 654 School Finance Formula Act
- 1973 HF 359 Provided greater equalization by increasing DCPP that was below the SCPP through 125% growth
- 1983 Eliminated 110% catch-up provision for districts below the SCPP
- 1989 New formula: if DCPP was less than SCPP, DCPP was increased to SCPP.
  - Specified that if the new DCPP was more than 110% of SCPP, it be reduced to 110% of SCPP.
  - Specified that if DCPP was greater than 105% of SCPP, the state % of growth used to determine the AG be reduced by 2%. (*1990 AG was 7.1% followed by 4.2% in 1991.)*
  - Established the Ed Improvement Program Levy for districts with DCPP that is 110% of SCPP and already had ISL)

Ed Improvement Levy

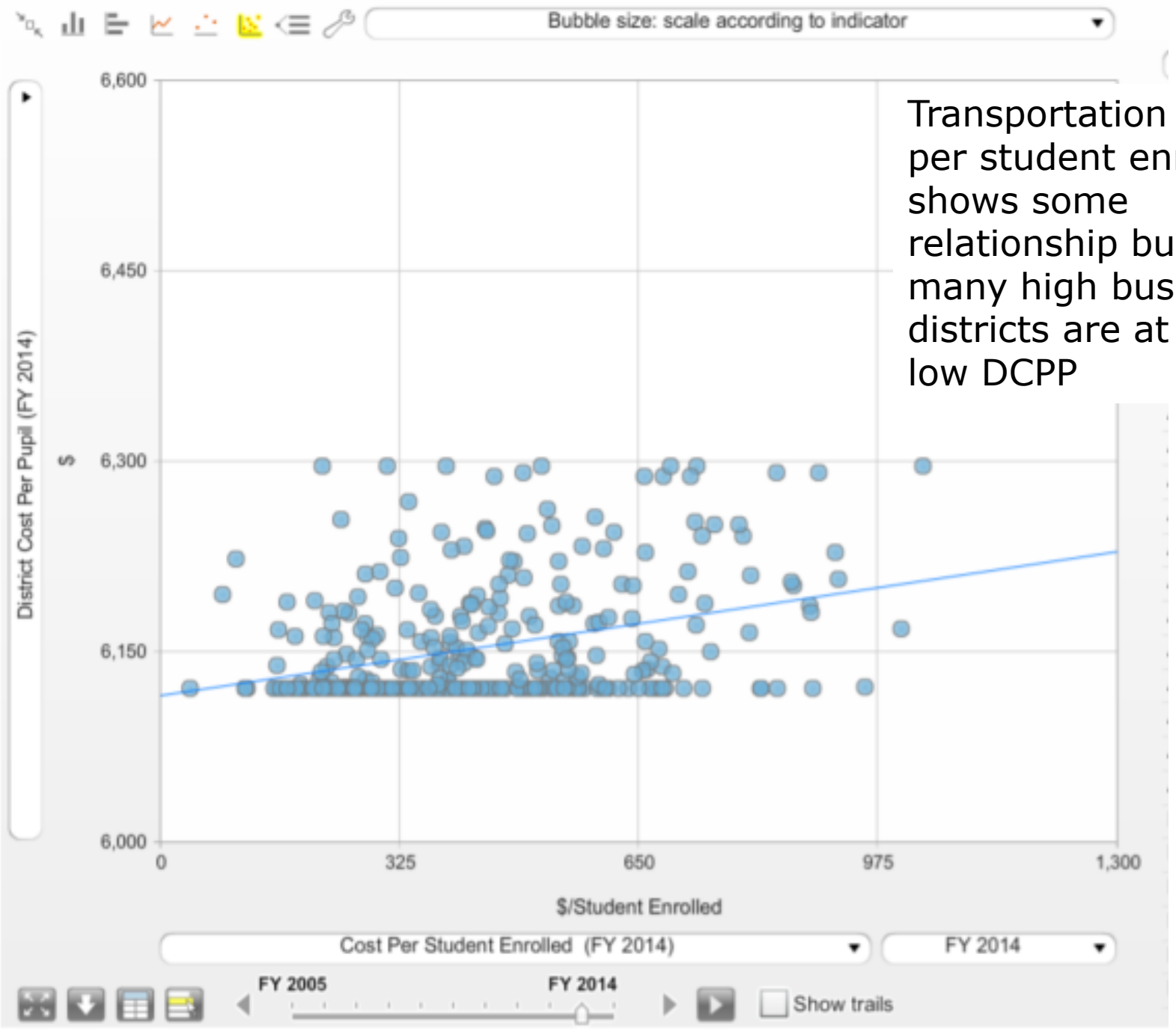
- Since LuVern just reorganized, only two districts remaining still have it
  - Delwood at 212 students
  - Twin Rivers at 175 students
- As districts reorganize, the Ed Improvement Levy authority is eliminated.

Data Relationships

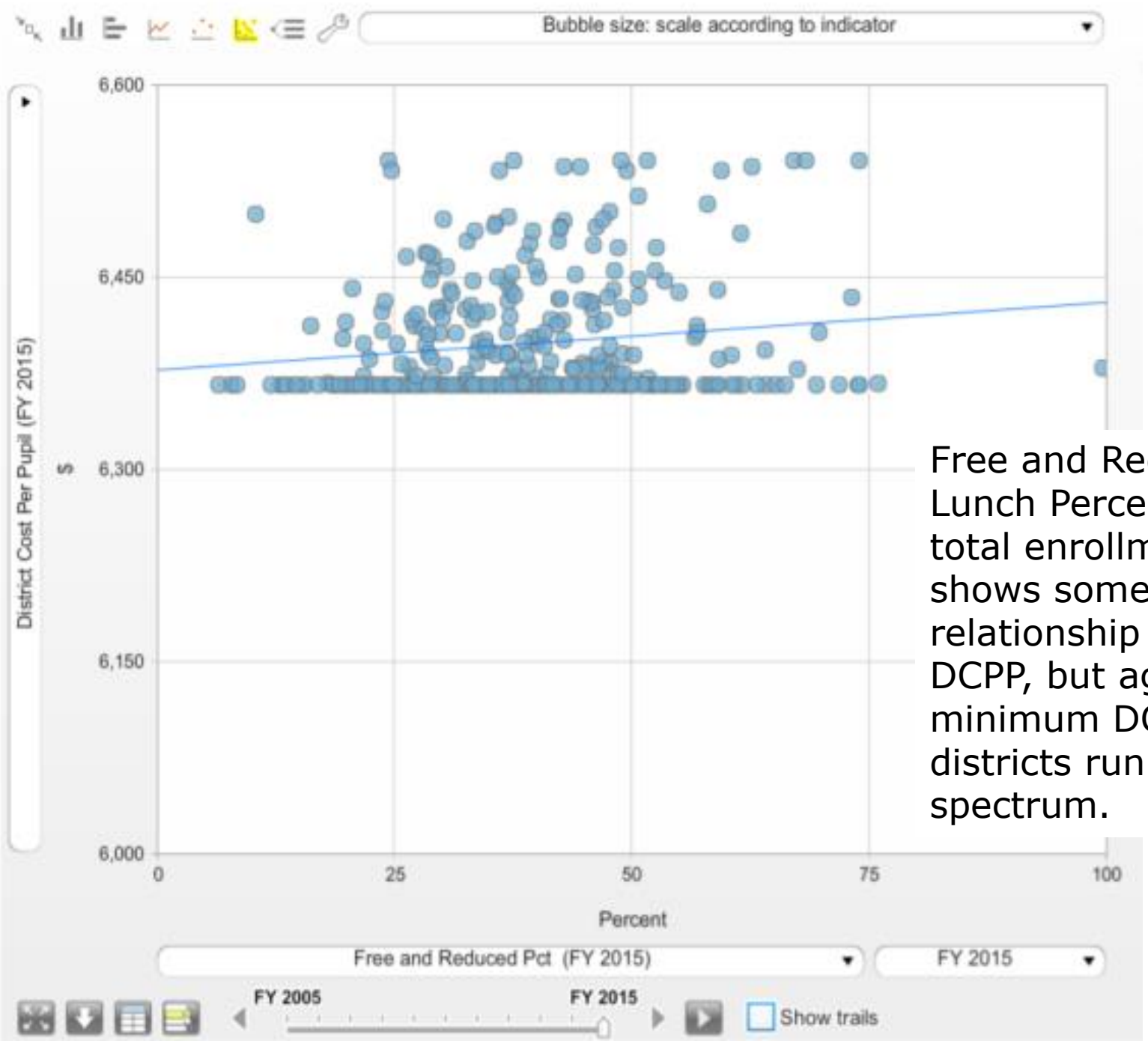
- Compare two variables to determine if there is a relationship
- Correlational only, does not mean a causal relationship has been proven (also doesn't discount there could be a causal relationship)
- Compare like years of data
- Enrollment, Transportation costs per student, free and reduced lunch, race, per pupil net property value



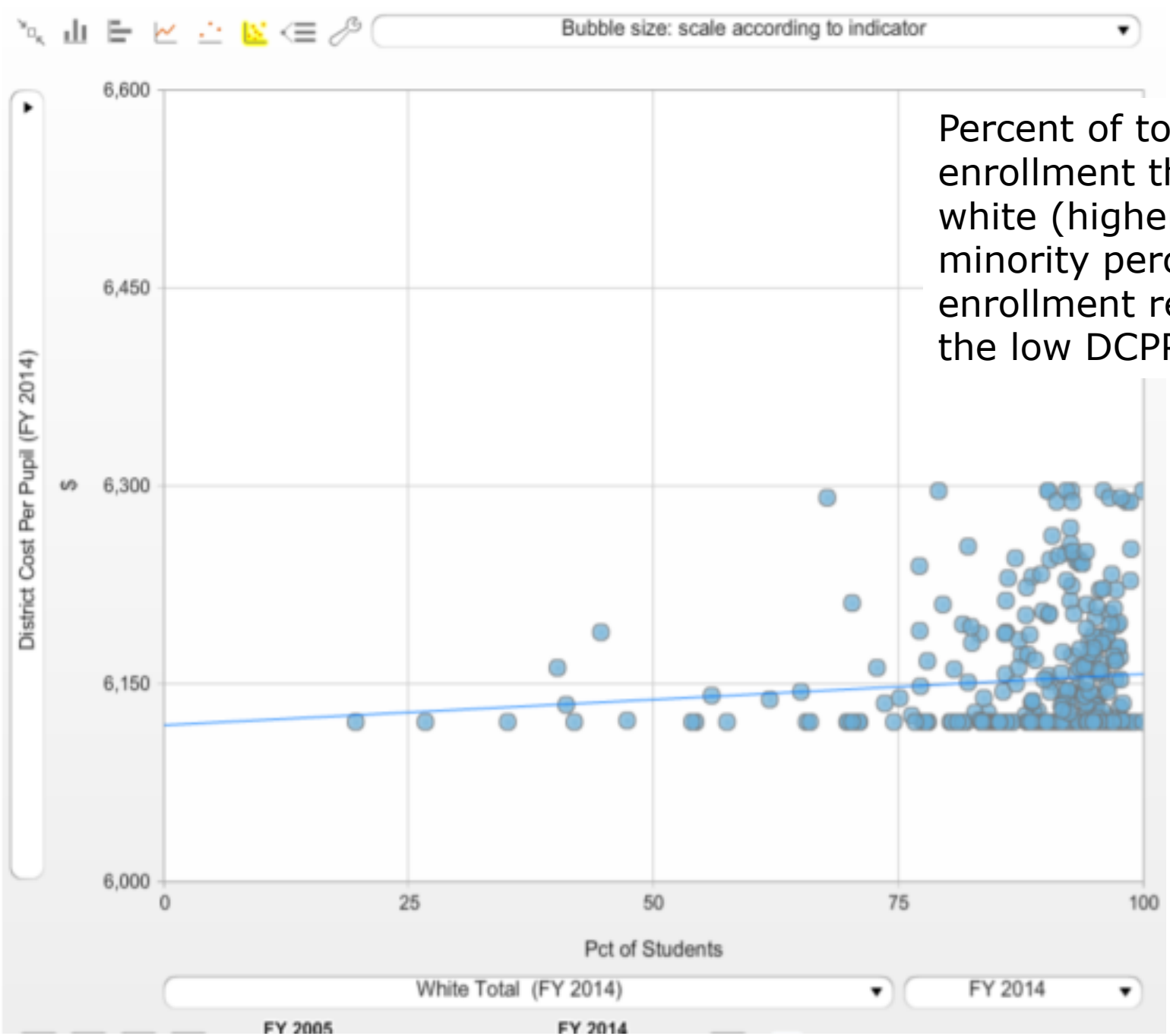
Certified Enrollment and DCPP virtually no relationship



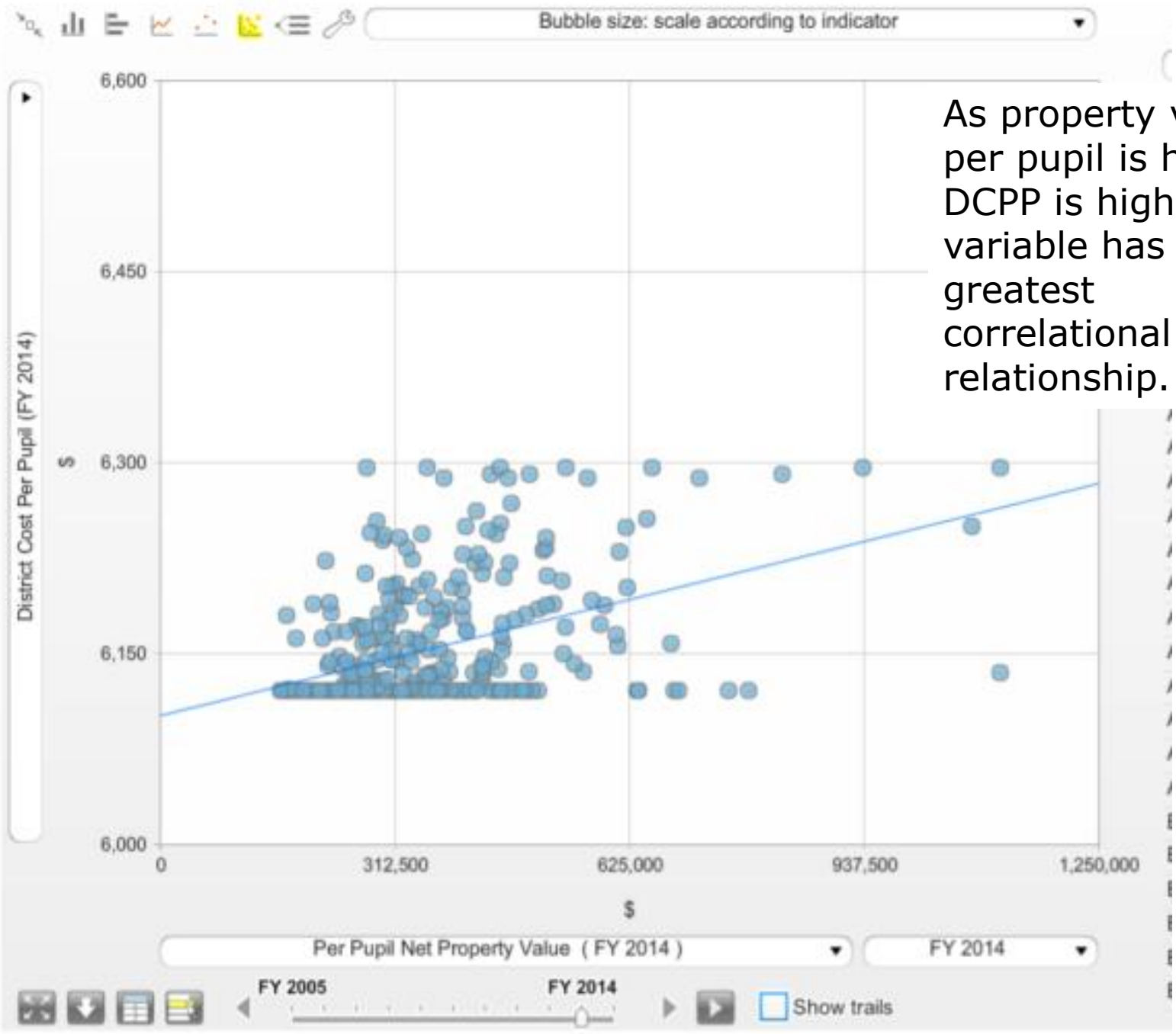
Transportation cost per student enrolled shows some relationship but many high bus cost districts are at the low DCPP



Free and Reduced Lunch Percent of total enrollment shows some positive relationship to higher DCPP, but again, minimum DCPP districts run the spectrum.



Percent of total enrollment that's white (higher minority percent of enrollment relates to the low DCPP)



As property value per pupil is higher, DCPP is higher. This variable has the greatest correlational relationship.

Data Comparison Conclusions

- Higher DCPP is an artifact of time, not completely explained by any one variable
- The closest proxy for higher DCPP is net property value per pupil, which makes sense given local capacity to tax property taxpayers over 40 years ago when schools were funded predominately with local dollars.

Solutions

- Combination of local and state commitment
- Hold harmless for those at the higher end or avoid choking those at the high end without sufficient SSA or other assistance to accompany the changes
- Phase in the difference over time
  - Bump on SSA for those at the lower end
  - Dedicate $15 million a year to closing the gap, problem solved in 5-6 years
  - Consider transitional assistance – use of local funds to cover the difference as decided locally

Revenue Sources

- Dedicate 2017-18 and beyond revenue (if similar commitment as TLC, done in two years)
- Exempt $5.40 uniform levy from TIF diversion. Saves the state $55 million (FY 2015) that could be used instead to fund equality in the formula
- Local dollars through transition(cash reserve or another levy such as the ed improvement levy, allowing income surtax option– if cash reserve is used, limit replenishing or require income surtax use for replenishing.)

Questions?